

House Study Bill 244

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
ECONOMIC GROWTH BILL BY
CHAIRPERSON HOFFMAN)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to requirements for tax credits issued for equity
2 investments in a qualifying business or a community-based seed
3 capital fund.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 3055YC 81
6 tm/pj/5

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1 1 Section 1. Section 15E.43, subsection 4, Code 2005, is
1 2 amended to read as follows:
1 3 4. The aggregate amount of tax credits issued pursuant to
1 4 this division shall not exceed a total of ten million dollars.
1 5 The total amount of tax credits issued during the fiscal year
1 6 beginning July 1, 2002, shall not exceed three million
1 7 dollars. The total amount of tax credits issued during the
1 8 fiscal year beginning July 1, 2003, shall not exceed three
1 9 million dollars. The total amount of tax credits issued
1 10 during the fiscal year beginning July 1, 2004, shall not
1 11 exceed four million dollars. Any tax credits remaining
1 12 unissued after June 30, 2005, may be issued in subsequent
1 13 fiscal years, but tax credits issued after June 30, 2005,
1 14 shall not exceed three million dollars in any one fiscal year.
1 15 Sec. 2. Section 15E.44, subsection 2, paragraphs b and e,
1 16 Code 2005, are amended to read as follows:
1 17 b. The business has been in operation for ~~three~~ six years
1 18 or less.
1 19 e. The business shall not have a net worth that exceeds
1 20 ~~three ten~~ million dollars.
1 21 Sec. 3. Section 15E.45, subsection 6, Code 2005, is
1 22 amended to read as follows:
1 23 6. In the event that a community-based seed capital fund
1 24 fails to meet or maintain any requirement set forth in this
1 25 section, or in the event that the community-based seed capital
1 26 fund has not invested at least thirty=three percent of its
1 27 invested capital in one or more separate qualifying
1 28 businesses, measured at the end of the ~~thirty-sixth~~ forty=
1 29 eighth month after commencing the fund's investing activities,
1 30 the board shall rescind any tax credit certificates issued to
1 31 limited partners or members and shall notify the department of
1 32 revenue that it has done so, and the tax credit certificates
1 33 shall be null and void. However, a community-based seed
1 34 capital fund may apply to the board for a one-year waiver of
1 35 the requirements of this subsection.

EXPLANATION

2 1 This bill relates to requirements for tax credits issued
2 2 for equity investments in a qualifying business or a
2 3 community-based seed capital fund.
2 4 Currently, tax credits equal to a portion of a taxpayer's
2 5 equity investment in a qualifying business or a community=
2 6 based seed capital fund are limited to an aggregate of \$10
2 7 million during the fiscal period beginning July 1, 2002, and
2 8 ending June 30, 2005. The bill provides that any tax credits
2 9 remaining unissued after June 30, 2005, may be issued in
2 10 subsequent fiscal years, but tax credits issued after June 30,
2 11 2005, shall not exceed \$3 million in any one fiscal year.
2 12 The bill changes the required criteria for a qualifying
2 13 business. Currently, a business must have been in operation
2 14 for three years or less. The bill changes the requirement to
2 15 six years or less. Currently, a business shall not have a net
2 16 worth that exceeds \$3 million. The bill changes the net worth

2 18 requirement to \$10 million or less.
2 19 Currently, tax credits may be rescinded in the event that a
2 20 community-based seed capital fund fails to meet or maintain
2 21 any requirement, or in the event that the community-based seed
2 22 capital fund has not invested at least 33 percent of its
2 23 invested capital in one or more separate qualifying
2 24 businesses, measured at the end of the 36th month after
2 25 commencing the fund's investing activities. The bill changes
2 26 the 36th month measuring requirement to the 48th month.
2 27 LSB 3055YC 81
2 28 tm:rj/pj/5